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LOANS

TO RURAL GROUPS

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United States Department of Agriculture
Farmers Home Administration PA-560

LOANS TO RURAL GROUPS

THE FARMERS HOME ADMINISTRATION makes loans to groups of farmers, ranchers, and rural residents to develop water supply systems for irrigation, household, and livestock use; to drain farmland; and to carry out soil conservation measures. Loans may also be made for shifts in land use to develop recreational facilities, grazing areas, and forest lands. These loans are made under the provisions of the Consolidated Farmers Home Administration Act of 1961, as amended by the Food and Agriculture Act of 1962.

Loans are made only to groups who are unable to obtain the credit they need from other sources at reasonable rates and terms.

Questions and answers follow:

WHO MAY BORROW?

Organizations operating on a nonprofit basis, such as nonprofit corporations; irrigation, water supply, or soil conservation districts; grazing or recreation associations; and small country towns and other rural political subdivisions are eligible for loans when:

1. They are unable to obtain needed credit elsewhere.
2. The proposed improvements primarily serve farmers, ranchers, farm tenants, farm laborers, and rural residents either by direct use or by economic benefits. Control of the borrower organization must remain with local rural residents and farmers, however, others may use the facility.
3. They have legal capacity to borrow and repay money, to pledge security for loans, and to operate the facilities or services to be installed with the loan funds.
4. They are financially sound and will be effectively organized and managed.

WHO IS A RURAL RESIDENT?

He is a permanent resident of a rural area or small country town of not more than 2,500 population which is not part of an urban area.

HOW MAY LOAN FUNDS BE USED?

water systems • irrigation and drainage systems • soil conservation measures • shifts in land use to:
grazing, forestry, recreation

Loan funds may be used to:

- Install or improve rural water supply and distribution systems that furnish water for household, livestock, garden irrigation, orchard and crop spraying purposes, and fire protection. A system may include capacity for commercial and industrial use when the cost of such capacity will be less than the cost of the capacity for other purposes.

- Install or improve open and closed drainage facilities in farm areas otherwise too wet for sustained agricultural production.

- Install, repair, or expand irrigation facilities including water supply reservoirs, diversion dams, wells, pumping plants, canals, canal lining, and pipelines.

- Help soil conservation districts and other groups buy special equipment to establish water development and soil conservation measures, such as terraces, farm ponds, land leveling, tree planting, brush removal, subsoiling, and seeding.

- Refinance debts when the creditors are unwilling to give needed terms and the debts have been incurred for the facility or service to be completed or improved with the water development and soil conservation loan.

- Pay engineers, attorneys, construction foremen, and laborers needed in the planning and installation of facilities.

- Purchase a water supply or a water right.



- Pay other costs related to the improvements, including the acquisition of rights-of-way and easements, relocation of roads and utilities, and construction of service lines.

- Loan funds may also be used to finance shifts in land use including:

- a. The conversion of cropland to grazing areas and forests and the conversion of land to uses that promote better conservation of soil and water resources.

- b. Reorganization of farm management units, grazing areas or districts, or irrigation areas.

- c. Development of wildlife areas.

- d. Development of recreational areas, including the development of:

1. Ponds, lakes, picnic areas, and parks.

2. Sports areas including athletic fields and facilities, golf courses, target ranges, and ski slopes.

3. Camping facilities, such as tent platforms, dining halls, cabins, electric and water connections for trailers, sanitation facilities, and roadways.

4. Forest trails and natural scenic attractions.

5. Fishing waters together with docks and other related facilities.

6. Hunting areas and preserves.

7. Access roads necessary to connect recreational areas with public roadways.

8. Parking areas in connection with recreational facilities.

WHERE AND HOW ARE APPLICATIONS MADE?

Applications for loans are made at the local county offices of the Farmers Home Administration. The county supervisor in charge of the office will be glad to discuss services available from the agency and explain how to prepare a written application.

WHAT ARE THE DOLLAR LIMITS?

A borrower's total indebtedness for these loans cannot exceed \$500,000 when the loan is made from appropriated funds and \$1 million when made from insured funds.

WHAT ARE THE TIME LIMITS?

Loans are scheduled for repayment within the shortest time consistent with the borrower's ability to pay. The maximum term on all loans is 40 years. However, no repayment period will exceed any statutory limitation on the organization's borrowing authority nor the useful life of the improvement or facility to be financed.

WHAT IS THE INTEREST RATE?

The interest rate on a direct loan is 4½ percent. The interest rate on insured loans varies but may not exceed 5 percent.

WHAT SECURITY IS REQUIRED?

All loans will be secured in a manner which adequately protects the interest of the Government. Bonds or notes pledging taxes, assessments, or revenues will be accepted as security if they meet statutory requirements. A mortgage will also be taken on the organization's facilities when State laws permit.

WHERE WILL APPLICANTS OBTAIN TECHNICAL HELP?

The Farmers Home Administration will assist the applicant in making the first determinations regarding the engineering feasibility, economic soundness, cost estimates, organization, financing, and management matters in connection with the proposed improvements.

After preliminary determinations have been made, applicants will be expected to provide the technical

services necessary to design the improvements, prepare estimates of costs, and complete arrangements for organization and financing. However, if the applicant lacks the resources to carry out this work, the Farmers Home Administration may provide additional technical assistance.

If a loan is made, the Farmers Home Administration will make periodic inspections to see that funds are used as agreed upon and that construction meets approved standards.

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